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## A NEW MILESTONE FOR VIETNAM'S MARKET ON THE GLOBAL CAPITAL MAP

- On October 8, 2025, FTSE officially announced the conditional reclassification of Vietnam from Frontier to Secondary Emerging Market, with implementation expected from September 21, 2026, subject to an interim review in March 2026 regarding global broker access.
- FTSE will implement the reclassification in multiple tranches, with details to be confirmed in the March 2026 announcement. Based on preliminary scenarios and our expected index weights, active and passive funds could allocate around USD 5 billion into the Vietnamese market.
- We assess this conditional reclassification as a positive milestone for Vietnam's capital market and broader economy. However, to ensure effective absorption of foreign inflows, Vietnam must complete the interim requirements—particularly enabling global broker access—and continue strengthening market infrastructure.

### Rising foreign inflows from international funds

Vietnam is expected to attract significant international capital inflows following FTSE Russell's reclassification to Emerging Market status. The upgrade broadens global investors' access, particularly for ETFs and mutual funds tracking FTSE indices. We estimate that both active and passive funds could inject around USD5bn into the Vietnamese market.

### Positive impact on the equity market and the economy

Following the upgrade, Vietnam's capital market is expected to enter a new stage of development. Improved investor confidence will help lower corporate funding costs and enhance access to foreign capital.

Beyond the capital market, the whole economy also benefit as Vietnam draws attention from international investors, both FII and FDI. This could facilitate lower external borrowing costs and contribute to stabilizing the exchange rate. The development of equity market will support economic growth, with an aim of double-digit growth target for 2026–2030 by the Government.

The group of stocks likely to benefit directly includes VIC, VHM, HPG, FPT, VPB, MSN, VCB, SSI— constituents of the FTSE Vietnam/All-Share Index.

### Challenges and issues in Vietnam's capital market

Vietnam's capital market still faces challenges, including limited financial capacity of securities firms in the Non-prefunding model, incomplete transaction processing systems, and exchange rate pressure causing strong net foreign capital withdrawals. In addition, instability of the global economy and politics and strong competition for capital flows from major markets such as China, Korea, Japan and Taiwan, may reduce Vietnam's attractiveness in the short term.